

CITY OF BELLEVUE, WASHINGTON

ORDINANCE NO. 3260

AN ORDINANCE of the City of Bellevue, Washington, providing for the issuance of \$3,660,000 principal amount of "Water and Sewer Revenue Refunding Bonds, 1983," for the purpose of providing the funds to refund, pay and retire the outstanding "Water and Sewer Revenue Bonds, 1982," of the City; fixing the date, form, denomination, interest rates, maturities, terms and covenants of such bonds; creating a special refunding fund to provide for the refunding operation; providing for and authorizing the purchase of certain obligations out of the proceeds of the sale of such bonds and for the use and application of the money to be derived from such investment; authorizing the execution of an agreement with Seattle-First National Bank, Seattle, Washington, as Refunding Trustee; providing for the payment and redemption of the outstanding bonds to be refunded; and ratifying and confirming the sale and delivery of such bonds to Foster & Marshall/American Express Inc of Seattle, Washington.

WHEREAS, pursuant to Ordinance No. 2169, as amended by Ordinance No. 2181, the sanitary sewerage system of the City of Bellevue, Washington (hereinafter defined as the "City"), was combined with and became a part of the waterworks utility of the City and, pursuant to Ordinance No. 2845, the storm and surface water utility of the City created and established by Ordinance No. 2003 was combined with and made a part of such combined water distribution system and sanitary sewerage system, and such combined systems are maintained and operated jointly, and the words "Waterworks Utility of the City" shall hereinafter mean the combined water distribution system and sanitary sewerage system of the City and the storm and surface water utility of the City together with all additions thereto and betterments and extensions thereof heretofore or hereafter made; and

WHEREAS, pursuant to Ordinance No. 2328 passed August 16, 1976, the City heretofore issued its \$7,155,000 par value of "Water and Sewer Revenue Refunding Bonds, 1976," for the purpose of obtaining a part of the funds with which to accomplish the refunding, defeasance, payment and retirement of its then outstanding "Water and Sewer Refunding Bonds, 1975," and "Water and Sewer Revenue Bonds, 1975"; and

WHEREAS, by Section 11 of Ordinance No. 2328 the City reserved the right, for the purpose of refunding by exchange or

purchasing and retiring or advance refunding by call and payment at or prior to their maturity any part or all of the outstanding water and sewer revenue bonds of the City, to issue additional revenue bonds therefor (therein called and hereinafter defined as "Parity Bonds") and to make payments into the "Water and Sewer Revenue Bond Redemption Fund, 1976," created by Ordinance No. 2328 for the payment of the "Water and Sewer Revenue Refunding Bonds, 1976," and any Parity Bonds, from the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments sufficient to pay the principal of and interest on such Parity Bonds and to maintain a reserve therefor as required by such Ordinance No. 2328, which such payments may rank equally with the payments out of such Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments required by Ordinance No. 2328 to be made into the "Water and Sewer Revenue Bond Redemption Fund, 1976," and the Reserve Account created therein if the following conditions and requirements are met and complied with at the time of the issuance of such Parity Bonds:

"(a) That at the time of issuance of such Parity Bonds, there shall not be a deficiency in the Bond Fund, including the 'Reserve Account' therein.

"(b) That the ordinance providing for the issuance of such Parity Bonds shall provide that all assessments and interest thereon which may be levied in any utility local improvement district hereafter created for the purpose of paying in whole or in part the principal of and interest on such Parity Bonds shall be paid directly into the Bond Fund.

"(c) That in the event there shall be included in such Parity Bonds any Term Bonds, the ordinance providing for the issuance of such Parity Bonds shall provide for a schedule of mandatory payments to be made into the 'Principal and Interest Account' of the Bond Fund, the sum of which shall be sufficient to pay the Term Bonds at maturity.

"(d) That the ordinance authorizing any Parity Bonds shall provide for the payment of the principal of and interest thereon out of the Bond Fund and shall further provide that the 'Reserve Account' be increased, in not less than substantially equal monthly payments, within a period of five years after the date of issuance of such Parity Bonds to an amount equal to the average

annual principal and interest requirements on all Parity Bonds, including the Refunding Bonds; provided, however, that in the event such Parity Bonds are issued for the purpose of refunding outstanding Refunding Bonds and/or Parity Bonds, the amount of such reserve allocated to such bonds being so refunded shall be retained as a reserve for such refunding Parity Bonds or used to retire outstanding bonds pursuant to the refunding plan, in which event such reserve amount shall be replaced in the same manner and within the same time as required for additional Parity Bonds. In computing such 'average annual principal and interest requirements,' there shall be included the amounts required to be paid into the 'Principal and Interest Account' of the Bond Fund in each year under any mandatory payment schedule required for the retirement of Term Bonds of any Parity Bonds.

"(e) That at the time of the issuance of such Parity Bonds, the City shall have on file a certificate from an independent licensed professional engineer experienced in the design, construction and operation of municipal utilities, showing that in his professional opinion, the Revenue of the Waterworks Utility of the City, after deducting Operating and Maintenance Expense, together with Utility Local Improvement District Assessments hereafter collected, which will be available in each succeeding year for the payment of the principal of and interest on all outstanding bonds payable out of such Revenue and Assessments and payable out of the Bond Fund and Parity Bonds to be issued, will be equal to the Coverage Requirement established by Section 8(b).

"In determining whether the City is able to comply with the terms of the parity conditions, the following adjustments may be made to the historical net operating revenue for any twelve consecutive months out of the immediately preceding 24-month period:

"(a) Any rate change that has taken place or been approved may be reflected.

"(b) Revenue may be added from customers actually added to the utility subsequent to the twelve-month period.

"(c) Revenue may be added from customers to be served by the improvements being constructed out of the proceeds of the bonds to be issued.

"(d) A full year's revenue may be included from any customer being served, but who has not been receiving service for the full period of operation used as a basis for the certificate.

"(e) Actual or reasonably anticipated changes in the Operating and Maintenance Expense subsequent to such twelve-month period shall be added or deducted, as is applicable";

and

WHEREAS, pursuant to Ordinance No. 2845 the City heretofore issued \$11,460,000 par value of its "Water and Sewer Revenue Bonds, 1980," dated May 1, 1980, which bonds were issued on a parity of lien with the "Water and Sewer Revenue Refunding Bonds, 1976," and

WHEREAS, pursuant to ordinance No. 3102, the City heretofore issued \$3,000,000 par value of its "Water and Sewer Revenue Bonds, 1982," (hereinafter defined as the "1982 Bonds"), dated June 1, 1982, which bonds were issued on a parity of lien with the "Water and Sewer Revenue Refunding Bonds, 1976," and "Water and Sewer Revenue Bonds, 1980;" and

WHEREAS, there are presently outstanding \$3,000,000 par value of 1982 Bonds maturing serially on June 1 in each of the years 1983 through 2002, and bearing interest at various rates from 8.25% to 12.40% per annum, and, as provided in Ordinance No. 3102, the City reserved the right to redeem the 1982 Bonds as a whole, or in part in inverse numerical order, on June 1, 1990, or on any semiannual interest payment date thereafter, at par plus accrued interest; and

WHEREAS, after due consideration, it appears to the City Council that the outstanding 1982 Bonds may be refunded by the issuance and sale of the water and sewer revenue refunding bonds authorized herein (hereinafter defined as the "Bonds") so that a substantial saving will be effected by the difference between the principal and interest cost over the life of the Bonds and the principal and interest cost over the life of the outstanding 1982 Bonds but for such refunding, which refunding will be effected by:

(a) The issuance of the Bonds;

(b) The payment of the principal of and interest on the 1982 Bonds as the same shall become due up to and including June 1, 1990, and the payment, retirement and redemption on June 1, 1990, of all then outstanding 1982 Bonds;

and

WHEREAS, in order to effect such refunding in the manner that will be most advantageous to the City and its water and sanitary sewage disposal service users, it is found necessary and advisable that certain "Acquired Obligations" (hereinafter identified), bearing interest and maturing at such time or times as necessary to accomplish the refunding as aforesaid, be purchased out of the proceeds of the sale of the Bonds and other money of the City legally available therefor; and

WHEREAS, Foster & Marshall/American Express Inc has offered to purchase such Bonds under the terms and conditions hereinafter set forth in the form of a purchase contract; NOW, THEREFORE;

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES ORDAIN, as follows:

Section 1. As used in this ordinance the following words shall have the following meanings:

a. "Acquired Obligations" shall mean those United States Treasury Certificates of Indebtedness, Notes and Bonds, State and Local Government Series and other obligations of the United States of America purchased to accomplish the refunding authorized by this ordinance.

b. "Bonds" shall mean the "Water and Sewer Revenue Refunding Bonds, 1983," authorized to be issued by this ordinance.

c. "Refunding Bonds, 1976," shall mean the "Water and Sewer Revenue Refunding Bonds, 1976," issued pursuant to Ordinance No. 2328.

d. "1980 Bonds" shall mean the "Water and Sewer Revenue Bonds, 1980," issued pursuant to Ordinance No. 2845.

e. "1982 Bonds" shall mean the "Water and Sewer Revenue Bonds, 1982," issued pursuant to Ordinance No. 3102.

f. "Bond Fund" shall mean the "Water and Sewer Revenue Bond Redemption Fund, 1976," created by Ordinance No. 2328 for

the payment of the Refunding Bonds, 1976, and any Parity Bonds, including the 1980 Bonds and which will include the Bonds.

g. "City" shall mean the City of Bellevue, Washington, a duly organized noncharter code city.

h. "Government Obligations" shall mean any direct obligations of, and any obligations the payment of principal of and interest on which is guaranteed by, the United States of America and which are otherwise lawful investments of the City at the time of such investment.

i. "Operating and Maintenance Expense" shall mean all reasonable expenses incurred by the City in causing the Waterworks Utility of the City to be operated and maintained in good repair, working order and condition, including payments of premiums for insurance on the Waterworks Utility of the City, payments to be made to the Municipality of Metropolitan Seattle, a municipal corporation, for sewage treatment and disposal, payments to The City of Seattle, Washington, for water purchased, and any State-imposed taxes, but excluding any City-imposed utility taxes or payments in lieu of taxes payable from Revenue of the Waterworks Utility of the City.

j. "Outstanding Bonds" shall mean the remaining outstanding water revenue bonds and sewer revenue bonds heretofore issued by the five special purpose districts whose assets have been acquired by the City and which the City has agreed to pay, which then outstanding bonds were more particularly described in Ordinance No. 2169, and provision for the payment, retirement and refunding of which has been made by Ordinance No. 2169, as amended by Ordinance No. 2181.

k. "Parity Bonds" shall mean any and all water and sewer revenue bonds of the City issued after the date of the issuance of the Refunding Bonds, 1976, pursuant to the provisions of Section 11 of Ordinance No. 2328, Section 16 of Ordinance No. 2845 and Section 12 of this Ordinance, the payment of the principal of and interest on which constitutes a lien and charge upon the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments on a parity with the lien and charge upon such Revenue and Assessments for the Refunding Bonds, 1976, the 1980 Bonds and the Bonds.

l. "Principal and Interest Account" shall mean the account in the Bond Fund of that name created and established in the Office of the Director of Finance of the City by Ordinance No. 2328.

m. "Refunding Trust Agreement" shall mean a Refunding Trust Agreement between the City and the Refunding Trustee

substantially identical to that which is attached as Exhibit A to this ordinance.

n. "Refunding Trustee" shall mean Seattle-First National Bank of Seattle, Washington.

o. "Reserve Account" shall mean the account in the Bond Fund of that name created and established in the Office of the Director of Finance of the City by Ordinance No. 2328.

p. "Revenue of the Waterworks Utility of the City" shall mean all the earnings and revenue received by the Waterworks Utility of the City from any source whatsoever, except Utility Local Improvement District Assessments, general ad valorem taxes, grants from the state or federal governments, proceeds from the sale of City property and bond proceeds.

q. "Term Bonds" shall mean any bonds of any Parity Bonds maturing in any year, the principal of which is greater than 1.25 times the average annual principal amount of all bonds maturing in the three years immediately preceding the year in which the Term Bonds of the Parity Bonds mature.

r. "Utility Local Improvement District Assessments" shall mean all utility local improvement district assessments and installments thereof, plus interest and penalties thereon, heretofore levied and pledged by the boards of commissioners of the respective special purpose districts to be paid into the bond redemption funds of the Outstanding Bonds, and hereafter collected, together with all assessments in and payments received in any other utility local improvement district created by the City Council to secure the payment of any Parity Bonds, including the Refunding Bonds, 1976, the 1980 Bonds, the 1982 Bonds and the Bonds, and pledged to be paid into the Bond Fund.

s. "Waterworks Utility of the City" shall mean the combined water distribution system and sanitary sewerage system of the City, as combined by Ordinance No. 2169, as amended by Ordinance No. 2181, and the storm and surface water system of the City combined therewith by Ordinance No. 2845, together with all additions thereto and betterments and extensions thereof heretofore or hereafter made or constructed.

Section 2. For the purpose of providing the funds with which to pay the principal of and interest on the 1982 Bonds as the same shall become due up to and including June 1, 1990, and to redeem and retire on June 1, 1990, all outstanding 1982 Bonds maturing on June 1 of each of the years 1991 through 2002, the City shall issue the Bonds in the aggregate principal amount of \$3,660,000. The Bonds shall be dated May 15, 1983, and bear interest at the rates set forth below payable on December 1,

1983, and semiannually thereafter on each succeeding June 1 and December 1, interest to maturity to be evidenced by coupons to be attached to the Bonds. If any bond is not redeemed upon proper presentment at its maturity or call date thereof, the City shall be obligated to pay interest at the coupon rate for each bond from and after the maturity or call date until such bond, both principal and interest, shall have been paid in full or until sufficient money for such payment in full is on deposit in the Bond Fund and such bond has been called for redemption by the City Director of Finance's publishing notice of such call once at least ten days prior to the call date in the official newspaper of the City or, if there is no official newspaper, in a newspaper of general circulation in the City. The Bonds shall be numbered, bear interest and mature on June 1 of each year in accordance with the following schedule:

<u>Bond Numbers</u> <u>(Inclusive)</u>	<u>Amounts</u>	<u>Interest</u> <u>Rates</u>	<u>Maturity</u> <u>Years</u>
1 to 15	\$ 75,000	5.50%	1984
16 to 31	80,000	6.25%	1985
32 to 48	85,000	6.50%	1986
49 to 68	100,000	7.00%	1987
69 to 89	105,000	7.40%	1988
90 to 112	115,000	7.75%	1989
113 to 137	125,000	8.00%	1990
138 to 164	135,000	8.15%	1991
165 to 194	150,000	8.30%	1992
195 to 227	165,000	8.45%	1993
228 to 264	185,000	8.60%	1994
265 to 305	205,000	8.75%	1995
306 to 349	220,000	8.90%	1996
350 to 397	240,000	9.00%	1997
398 to 451	270,000	9.00%	1998
452 to 511	300,000	9.05%	1999
512 to 578	335,000	9.10%	2000
579 to 651	365,000	9.15%	2001
652 to 732	405,000	9.15%	2002

Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America at either fiscal agency of the State of Washington in Seattle, Washington, or New York, New York, solely out of the Bond Fund, and shall be a valid claim of the holder thereof only as against such Bond Fund and the amount of the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments pledged to such fund, and shall not be a general obligation of the City.

Section 3. Bonds maturing June 1, 1984, through June 1, 1993, shall be issued without the right or option of the City to

call the same for redemption prior to their respective maturity dates. The City reserves the right to call for prior redemption Bonds maturing June 1, 1994, through June 1, 2002, as a whole, or in part in inverse numerical order, on June 1, 1993, or on any semiannual interest payment date thereafter, at par plus accrued interest to date of redemption. Notice of any call for redemption of the Bonds prior to their stated maturity dates shall be published once in the official newspaper of the City or, if there is no official newspaper, in a newspaper of general circulation within the City, and once in a financial newspaper printed in the English language and published at least weekly in New York, New York, not less than thirty nor more than forty-five days prior to the date of redemption. Notice of such intended redemption shall be mailed within the same period to the main office of Foster & Marshall/American Express Inc in Seattle, Washington, or its successor. In addition, such redemption notice shall be sent to Moody's Investors Service, Inc., and Standard & Poor's Corporation at their offices in New York, New York, but the mailing of such notice to such New York firms shall not be a condition precedent to the redemption of such Bonds. Interest on any Bonds so called for redemption shall cease on the date fixed for such redemption upon payment of the redemption price into the Bond Fund.

The City reserves the right to purchase any or all of the Bonds in the open market at any time at a price not in excess of par plus accrued interest.

Section 4. There is created and established in the office of the Director of Finance of the City a special fund to be known and designated as the "1983 Refunding Fund." Immediately upon receipt of payment in full for the Bonds, the accrued interest received shall be deposited in the Principal and Interest Account and the principal proceeds shall be deposited in the 1983 Refunding Fund. The funds in the 1983 Refunding Fund shall be used immediately upon receipt thereof to discharge the obligations of the City under Ordinance No. 3102 authorizing the issuance of the 1982 Bonds by providing for the payment as hereinafter set forth in this section of the principal of and interest on such 1982 Bonds.

To the extent practicable the City shall discharge such obligations by the purchase of Acquired Obligations bearing such interest and maturing as to principal and interest in such amounts and at such times as to provide for the payment of the principal of and interest on the 1982 Bonds as the same shall become due up to and including June 1, 1990, and to redeem and retire on June 1, 1990, all outstanding 1982 Bonds maturing on June 1 of each of the years 1991 through 2002.

The Acquired Obligations are more particularly described in the purchase contract entered into between Foster & Marshall/American Express Inc and the City on May 16, 1983, and are set forth in Schedule A attached to the Refunding Trust Agreement.

The Acquired Obligations and a beginning cash balance of \$210,842.13 shall be deposited irrevocably with the Refunding Trustee. Any amounts described in this section which are not provided for in full by the purchase and deposit of the Acquired Obligations shall be provided for by the irrevocable deposit of a portion of the proceeds of sale of the Bonds or other money of the City with the Refunding Trustee.

All the money received as principal of or interest on the Acquired Obligations shall be held by the Refunding Trustee for the credit of the City and the 1983 Refunding Fund shall be held in trust and shall be used for the sole purpose of paying the 1982 Bonds as aforesaid.

Any money remaining in the 1983 Refunding Fund after the payment and retirement in full of the 1982 Bonds as aforesaid shall be transferred and paid into the Principal and Interest Account. All of the Acquired Obligations purchased as a part of the refunding plan are dedicated irrevocably to the purpose set forth in this ordinance, and such investments or the earnings or the proceeds therefrom may be used for no other purpose, nor may any of such investments be liquidated prior to maturity, except that the City reserves the right to substitute other direct United States obligations for any of the Acquired Obligations and to use any savings created thereby for any lawful City purpose if, in the opinion of Roberts & Shefelman, the Bonds will remain exempt from federal income taxation under Section 103(c) of the Internal Revenue Code of 1954, as amended, and applicable regulations thereunder, and if such substitution shall not impair the timely payment of principal of or interest on the 1982 Bonds.

Section 5. The City irrevocably calls for redemption all of the outstanding 1982 Bonds on June 1, 1990, at par plus accrued interest. Such call for redemption shall be irrevocable after the delivery of the Bonds to the initial purchaser thereof.

The Refunding Trustee, on behalf of the City Director of Finance, is authorized and directed to give notice of the redemption of the 1982 Bonds in accordance with the provisions of Ordinance No. 3102 and in such bonds.

All necessary and proper fees, compensation and expenses of the Refunding Trustee for the Bonds and all other costs incidental to the setting up of the escrow to accomplish the refunding of the 1982 Bonds and the costs relating to the issuance and

delivery of the Bonds, including bond printing, the premium for MBIA insurance, if purchased, bond counsel's fee and other related expenses shall be paid out of the principal proceeds of the Bonds. The proper officers and agents of the City are directed to enter into a Refunding Trust Agreement with the Refunding Trustee setting forth the duties, obligations and responsibilities of the Refunding Trustee in connection with the redemption and retirement of the 1982 Bonds as provided herein and stating that such provisions and the payment of the fees, compensation and expenses of such Refunding Trustee are satisfactory to it.

In order to carry out the purposes of this ordinance, the City Manager, or her designee, and City Clerk of the City are authorized and directed to execute a Refunding Trust Agreement and deliver it to the Refunding Trustee.

Section 6. The Bond Fund heretofore has been created and established in the office of the Director of Finance of the City by Ordinance No. 2328 and heretofore has been divided into two accounts, the Principal and Interest Account and the Reserve Account. So long as any Bonds are outstanding and unpaid, the Director of Finance of the City shall set aside and pay into the Principal and Interest Account, in addition to the amounts to be paid into such Account for the outstanding Refunding Bonds, 1976, and the 1980 Bonds, out of the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments a fixed amount, without regard to any fixed proportion, namely, on or before the 20th day of each month beginning with the month of June, 1983, such amount as is equal to 1/6th of the next ensuing six months' requirements for interest on the Bonds and 1/12th of the amount of principal of the Bonds becoming payable on the next ensuing principal payment date.

Section 7. The Director of Finance of the City shall set aside and pay into the Reserve Account on or before the first day of each month beginning with the month of July, 1983, out of the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments in 60 substantially equal monthly payments such additional amounts as will be sufficient, together with the amounts required to be accumulated therein for the outstanding Refunding Bonds, 1976, and the 1980 Bonds, and taking into account the amount on deposit for the 1982 Bonds being refunded, to accumulate by June 1, 1988, a total amount not less than the average annual debt service requirements for the Refunding Bonds, 1976, the 1980 Bonds and the Bonds.

The Reserve Account may be accumulated from any other money the City may have available for such purposes in addition to using the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments therefor.

When such required amount has been paid into the Reserve Account, the City will maintain that amount therein at all times, except for withdrawals therefrom as authorized herein, until there is a sufficient amount in the Bond Fund, including the Reserve Account, to pay the principal of and interest on all outstanding bonds payable out of the Bond Fund to the final maturity thereof, at which time the money in the Bond Fund, including the Reserve Account, may be used to pay such principal and interest.

In the event there shall be a deficiency in the Bond Fund to meet maturing installments of either principal or interest, as the case may be, on any outstanding bonds payable out of the Bond Fund, such deficiency shall be made up from the Reserve Account by the withdrawal of cash therefrom for that purpose. Any deficiency created in the Reserve Account by reason of any such withdrawal shall then be made up from the Revenue of the Waterworks Utility of the City and/or Utility Local Improvement District Assessments first available after making necessary provisions for the required payments into the Bond Fund.

All money in the Reserve Account may be kept in cash or deposited in institutions permitted by law in an amount in each institution not greater than the amount insured by any department or agency of the United States Government, or may be invested in United States Government obligations having a guaranteed market, or in United States Government obligations maturing not later than the last maturity of any outstanding bonds that are payable out of the Bond Fund. Interest earned on any such investments shall be deposited in and become a part of the Bond Fund.

If the City shall fail to set aside and pay into the Bond Fund the amounts which it has obligated itself by this section to set aside and pay therein, the holder of any Bond may bring suit against the City to compel it to do so.

Section 8. The City Council of the City finds:

(1) That the purpose for the issuance of the bonds qualifies as a purpose for the issuance of Parity Bonds as defined in Section 11 of Ordinance No. 2328 and Section 16 of Ordinance No. 2845;

(2) That at the time of the issuance of the Bonds there is not and will not be a deficiency in the Bond Fund, including the Reserve Account;

(3) That no Utility Local Improvement District Assessments are levied in connection with the issuance of the Bonds;

(4) That no Term Bonds are included in the Bonds;

(5) That provision is made herein for the payment of the principal of and interest on the Bonds out of the Bond Fund and further provision is made for the accumulation of the required additional amounts in the Reserve Account; and

(6) That at the time of the issuance of the Bonds, the City will have on file a certificate from Richard Bain of Brown and Caldwell, an independent, licensed professional engineer experienced in the design, construction and operation of municipal utilities, showing that in his professional opinion, the Revenue of the Waterworks Utility of the City, after deducting Operating and Maintenance Expense, together with Utility Local Improvement District Assessments hereafter collected which will be available in each succeeding year for the payment of the principal and interest on all outstanding bonds payable out of the Bond Fund, including the Bonds to be issued, will be equal to the coverage requirement established by Section 8(b) of Ordinance No. 2328 and Section 14(b) of Ordinance No. 2845.

The conditions and requirements set forth in Section 11 of Ordinance No. 2328 and Section 16 of Ordinance No. 2845 have been met and complied with, or will have been met and complied with at the time of the issuance of the Bonds, and, therefore, the Bonds shall be issued on a parity with the outstanding Refunding Bonds, 1976, and the 1980 Bonds.

Section 9. By Ordinance No. 2169, as amended by Ordinance No. 2181, irrevocable provision has been made for the payment and retirement of all of the Outstanding Bonds. The Revenue of the Waterworks Utility of the City and all Utility Local Improvement District Assessments hereafter collected are pledged to the payments to be made into the Bond Fund as aforesaid, and the Refunding Bonds, 1976, the 1980 Bonds, and the Bonds shall constitute a lien and charge upon the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments prior and superior to any other liens and charges whatsoever, subject only to Operating and Maintenance Expense and to the payment and retirement of the Outstanding Bonds.

Section 10. In the judgment of the City Council, the Revenue of the Waterworks Utility of the City at the rates to be charged for water and sanitary sewage disposal service and storm and surface water drainage service furnished on the entire utility, together with Utility Local Improvement District Assessments, will be more than sufficient to meet all Operating and

Maintenance Expense and to permit the setting aside into the Bond Fund out of the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments hereafter collected of amounts sufficient to pay the interest on the Refunding Bonds, 1976, the 1980 Bonds and the Bonds as such interest becomes payable and to pay and redeem all of such bonds at maturity. The City Council further declares that in creating the Bond Fund and in fixing the amounts to be paid into the same as aforesaid it has exercised due regard for the Operating and Maintenance Expense, and the City has not bound and obligated itself to set aside and pay into the Bond Fund a greater amount or proportion of the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments than in the judgment of the City Council will be available over and above such Operating and Maintenance Expense and debt service requirements of such Refunding Bonds, 1976, the 1980 Bonds and the Bonds, and that no portion of the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments has been pledged previously for any indebtedness other than the Outstanding Bonds to be refunded or otherwise paid and retired as stated above.

Section 11. The City further covenants and agrees with the owner and holder of each of the Bonds as follows:

(a) All Utility Local Improvement District Assessments hereafter collected by the Director of the Office of Finance of King County, Washington, as ex officio treasurer for the issuers of the Outstanding Bonds, shall be transferred to the Director of Finance of the City for deposit in the Bond Fund and all Utility Local Improvement District Assessments hereafter collected by the Director of Finance of the City shall be paid into the Bond Fund and may be used to pay the principal of and interest on the Refunding Bonds, 1976, the 1980 Bonds and the Bonds and/or Parity Bonds, without such assessments or installments thereof or interest thereon being particularly allocated to the payment of the principal and interest on any particular issue of bonds payable out of the Bond Fund. However, nothing in this ordinance or in this section shall be construed to prohibit the City from issuing water and sewer revenue bonds junior in lien to such Refunding Bonds, 1976, 1980 Bonds, Bonds and/or Parity Bonds and pledging as security for their payment assessments levied in any utility local improvement district which may have been specifically created to pay part or all of the costs of improvements to the Waterworks Utility of the City for which such junior lien bonds were specifically issued.

(b) It will establish, maintain and revise as necessary, and collect such rates and charges for water and

sanitary sewage disposal service and for storm and surface water drainage service so long as any Refunding Bonds, 1976, 1980 Bonds, Bonds and/or Parity Bonds are outstanding as will make available, together with any Utility Local Improvement District Assessments hereafter collected, in each succeeding year for the payment of the principal of and interest on such bonds then outstanding an amount equivalent to at least 1.25 times the average annual debt service requirements, both principal and interest, of such bonds, after deducting Operating and Maintenance Expense from the Revenue of the Waterworks Utility of the City. This subparagraph shall hereinafter be called the "Coverage Requirement." In determining whether the Coverage Requirement is or will be satisfied by the City, there shall be deemed to be included within the principal amount of bonds maturing in any year the amounts required to be paid into the Principal and Interest Account in such year under any mandatory payment schedule required for the retirement of Term Bonds of any Parity Bonds, and there shall be deemed to be excluded from the principal amount of any Term Bonds the sum of such payments required to be made under any such mandatory payment schedule.

(c) It will at all times maintain and keep the Waterworks Utility of the City in good repair, working order and condition, and also will at all times operate such utility and the business in connection therewith in an efficient manner and at a reasonable cost.

(d) It will not sell, lease, mortgage or in any manner encumber or dispose of all the property of the Waterworks Utility of the City unless provision is made for payment into the Bond Fund of a sum sufficient to pay the principal of and interest on all bonds payable out of the Bond Fund at any time outstanding, and that it will not sell, lease, mortgage, or in any manner encumber or dispose of any part of the property of the Waterworks Utility of the City that is used, useful and material to the operation thereof, unless provision is made for replacement thereof, or for payment into the Bond Fund of the total amount of revenue received which shall not be less than an amount which shall bear the same ratio to the amount of outstanding bonds payable out of the Bond Fund as the revenue available for debt service for such outstanding bonds for the twelve months preceding such sale, lease, mortgage or encumbrance or disposal from the portion of the utility sold, leased, mortgaged, encumbered or disposed of bears to the revenue available for debt service for such bonds from the entire utility for the same period. Any such money so paid into the Bond Fund shall be used to retire such outstanding bonds at the earliest possible date.

(e) It will keep, while any of the Bonds remains outstanding, proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to the Waterworks Utility of the City, and it will furnish the original purchaser or purchasers of the Bonds or any subsequent holder or holders thereof, at the written request of such holder or holders, complete operating and income statement of such utility in reasonable detail covering any calendar year not more than ninety days after the close of such calendar year, and it will grant any holder or holders of at least twenty-five percent of the outstanding Bonds the right at all reasonable times to inspect the entire Waterworks Utility of the City and all records, accounts and data of the City relating thereto. Upon request of any holder of any of the Bonds, it also will furnish to such holder a copy of the most recently completed audit of the City's accounts by the State Auditor of Washington.

(f) It will not furnish water or sanitary sewage disposal service or storm and surface water drainage service to any customer whatsoever free of charge and will take legal action promptly to enforce collection of all delinquent accounts and all delinquent Utility Local Improvement District Assessments.

(g) It will carry the types of insurance, including self-insurance, on the properties of the Waterworks Utility of the City in the amounts normally carried by private water and sewer companies engaged in the operation of water and sewerage systems, and the cost of such insurance shall be considered a part of Operating and Maintenance Expense of such utility. If, as, and when the United States of America or some agency thereof shall provide for war risk insurance, the City further agrees to take out and maintain such insurance on all or such portions of such Utility on which such war risk insurance may be written in an amount or amounts to cover adequately the value thereof.

(h) It will pay all Operating and Maintenance Expense of the Waterworks Utility of the City and otherwise meet the obligations of the City as herein set forth.

(i) It will spend the principal proceeds of the Bonds with due diligence to completion of the purposes specified in this ordinance and will make no use of the proceeds of the Bonds or other funds of the City at any time during the term of the Bonds which will cause the Bonds to be arbitrage bonds within the meaning of Section 103(c) of the United States Internal Revenue Code of 1954, as amended, and the applicable regulations thereunder.

Section 12. The Bonds shall be printed on good bond paper with lithographed or engraved borders in a form consistent with this ordinance, shall be signed by the facsimile signature of the Mayor, attested by the manual signature of the City Clerk, or a Deputy City Clerk on her behalf, and the coupons shall bear the facsimile signatures of the Mayor and the City Clerk or Deputy City Clerk as the case may be. The seal of the City shall be either impressed on each Bond or reproduced on the lower border thereof, and if so reproduced, such seal is adopted as the seal of the City for such Bonds being issued.

Section 13. The City covenants with the owner and holder of each of the Bonds for as long as any of the same is outstanding that it will not create any special fund or funds for the payment of the principal of and interest on any other revenue bonds which will have any priority over or which will rank on a parity with the payments required by this ordinance to be made out of the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments pledged to be paid into the Bond Fund, except it reserves the right for

First, the purpose of acquiring, constructing and installing additions, betterments and improvements to and extensions of, acquiring necessary equipment for, or making necessary replacements of or repairs or capital improvements to the Waterworks Utility of the City pursuant to a plan or plans of additions and betterments thereto hereafter adopted, or

Second, the purpose of refunding by exchange or purchasing and retiring or advance refunding by call and payment at or prior to their maturity any part or all of the outstanding water and sewer revenue bonds of the City

to issue additional and/or refunding revenue Parity Bonds therefor and to make payments into the Bond Fund from the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments sufficient to pay the principal of and interest on such Parity Bonds and to maintain a reserve therefor as required, which such payments may rank equally with the payments out of such Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments required by this ordinance to be made into the Bond Fund and Reserve Account, if the conditions and requirements set forth in Section 11 of Ordinance No. 2328, Section 16 of Ordinance No. 2845 and of this section are met and complied with at the time of issuance of such Parity Bonds.

Nothing contained in this section shall prevent the City from issuing revenue bonds, warrants or other obligations, the

payment of the principal of and interest on which is a charge upon the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments junior and inferior to the payments required to be made out of such Revenue into the Bond Fund.

Section 14. In the event the City shall issue advance refunding bonds pursuant to the laws of the State of Washington, or have funds available from any other lawful source, to pay the principal of and interest on the Bonds or such portion thereof included in the refunding plan as the same become due and payable and to refund all such then outstanding Bonds and to pay the costs of refunding, and shall have set aside irrevocably in a special fund for and pledged to such payment and refunding, money and/or Government Obligations, sufficient in amount, together with known earned income from the investment thereof, to make such payments and to accomplish the refunding as scheduled, and shall make irrevocable provisions for redemption of such Bonds, then in that case all right and interest of the owners or holders of the Bonds to be so retired or refunded and the appurtenant coupons in the covenants of this ordinance and in the Revenue of the Waterworks Utility of the City, Utility Local Improvement District Assessments, funds and accounts obligated to the payment of such Bonds, except the right to receive the funds so set aside and pledged to be paid from the Bond Fund without priority, shall thereupon cease and become void and the City may then apply any money in any fund or account established for the payment or redemption of such Bonds or coupons to any lawful purposes as it shall determine.

In the event that the refunding plan provides that the Bonds being refunded or the refunding bonds to be issued be secured by cash and/or Government Obligations pending the prior redemption of those Bonds being refunded and if such refunding plan also provides that certain cash and/or Government Obligations are irrevocably pledged for the prior redemption of those Bonds included in the refunding plan, then only the debt service on the Bonds and the refunding bonds payable from the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments shall be included in the computation of coverage for issuance of Parity Bonds and the annual computation of coverage for determining compliance with the Coverage Requirement.

Section 15. By Ordinance No. 2169, as amended by Ordinance No. 2181, there has been created and established in the office of the Director of Finance of the City a special fund designated the "Waterworks Utility Revenue Fund." The Revenue of the Waterworks Utility of the City shall be deposited as received in the Waterworks Utility Revenue Fund and shall be used, paid out and distributed in the following order of priority:

(a) To meet Operating and Maintenance Expense.

(b) To meet the required payments into the Bond Fund for all bonds payable out of the Bond Fund from the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments, including the amounts required to be paid into the Principal and Interest Account in such year under any mandatory payment schedule required for the retirement of Term Bonds of any Parity Bonds, and payments necessary to make up any deficiency in the Reserve Account created by authorized withdrawals therefrom.

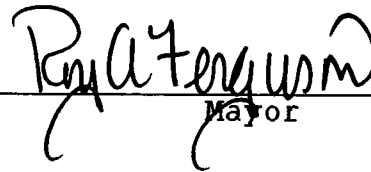
(c) To meet the debt service requirements for any water and sewer revenue bonds hereafter issued for the payment of which the lien and charge upon the Revenue of the Waterworks Utility of the City will be junior to the prior lien and charge thereon for payments to be made into the Bond Fund.

(d) To redeem and retire any water and sewer revenue bonds of the City then outstanding or to purchase any or all of those bonds in the open market at a price not in excess of the price at which those bonds would be redeemed at the next call date, and to make necessary additions, betterments, repairs, extensions and replacements of the Waterworks Utility of the City and other purposes proper to its maintenance and operation, including the payment of any City-imposed utility taxes or payments in lieu of taxes payable from Revenue of the Waterworks Utility of the City.

Section 16. Foster & Marshall/American Express Inc of Seattle, Washington, has submitted to the City its written offer in the form of a purchase contract whereunder such purchaser agrees to purchase the Bonds under the terms and conditions as provided in such purchase contract, which purchase contract is on file with the City Clerk and is incorporated herein and made a part hereof by this reference. In conjunction with such sale, the City shall furnish the printed Bonds and the unqualified legal opinion of Roberts & Shefelman, municipal bond counsel, of Seattle, Washington, without cost to the purchaser. Bond counsel shall not be required to review or express any opinion concerning the completeness or accuracy of any official statement, offering circular or other sales material issued or used in connection with the Bonds, and bond counsel's opinion shall so state. The City Council of the City deems it to be in the best interests of the City that such offer be accepted and accepts the same, and City officials are authorized and directed to execute such purchase contract on behalf of the City.

The proper City officials are authorized and directed to do everything necessary for the prompt execution and delivery of the Bonds to the purchaser and for the proper application and use of the proceeds of the sale thereof and the furnishing of certificates and other documents specified in such purchase contract.

PASSED by the City Council this 16th day of May, 1983, and signed in authentication of its passage this 16th day of May, 1983.

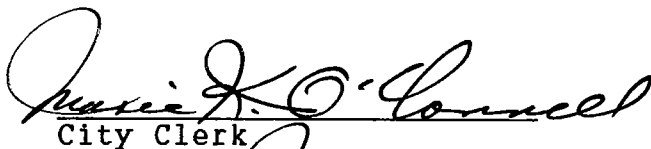


Mayor

APPROVED AS TO FORM:


Asst. City Attorney

ATTEST:


City Clerk

Published March 21, 1983